



ALLTEL Corporate Services, Inc.
655 15th Street N.W. • Suite 220 • Washington, DC 20005
Telephone: 202-783-3970 • Facsimile: 202-783-3982

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May 3, 1996

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: CC Docket No. 96-61

Dear Mr. Caton:

Enclosed for filing please find an original plus six (6) copies, two of which have been marked "Extra Public Copy", of the Reply Comments of ALLTEL Corporate Services, Inc. in the referenced rulemaking proceeding.

Please address any questions respecting this matter to the undersigned .

Very truly yours,

Glenn S. Rabin

GSR/ss

Enclosures

cc: Ms. Janice Myles (cover letter and diskette)
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Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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In the Matter of:)
)
Policy and Rules Concerning the)
Interstate, Interexchange, Marketplace) CC Docket No.96-61
)
Implementation of Section 254(g) of the)
Communications Act of 1934, as Amended)

Reply Comments of ALLTEL Corporate Services, Inc.

ALLTEL Corporate Services, Inc.¹ ("ALLTEL") submits its reply comments in the above-captioned matter respecting Section V of the Notice of Proposed Rule Making² under which the Commission considers eliminating the separate subsidiary requirement for non-dominant treatment of independent local exchange companies ("ILECs") providing out-of-region interstate, interexchange services. ALLTEL applauds the Commission's willingness to consider whether outmoded requirements are currently needed to protect a no longer fledgling

¹ ALLTEL is the services subsidiary of ALLTEL Corporation, a diversified telecommunications company with various subsidiaries providing local exchange service, cellular service, information services, telecommunications supplies and resold interexchange services.

² Notice of Proposed Rule Making in CC Docket No.96-61, FCC 96-123 (Released March 25, 1996)("NPRM").

The Commission's search for regulatory parallels between the provision of out-of-region interexchange services by ILECs and the provision of such services by the Bell Operating Companies ("BOCs")³ is, however, flawed. BOC provision of interexchange service in today's competitive marketplace is, in practice, a question of first impression occasioned by the passage of the Telecommunications Act of 1996 ("1996 Act"). The Commission has previously embarked upon a separate rule making to consider the regulation of BOC provision of out-of-region interexchange services.⁴

In ALLTEL's view, there is no need for any linkage between the two proceedings. The character, competitive status and scope of their respective local exchange territories as well as the anticompetitive potential of BOCs and ILECs markedly differ.⁵ Indeed, as noted by certain parties, the 1996 Act recognizes distinctions among carriers of various sizes based upon their inability to both withstand the burdensome cost of overregulation and to impede competition.⁶ The Commission should separately consider the need for a separate subsidiary requirement based upon the different factual cases which the ILEC and the BOCs present.

³ NPRM at para. 61.

⁴Bell Operating Company Provision of Out-of-Region Interstate, Interexchange, Service, CC Docket No. 96-21, Notice of Proposed Rule Making, FCC 96-59 (Released February 14, 1996)("BOC Out-of-Region NPRM").

⁵Comments of GTE at pages 7-13. ALLTEL notes that the Commission's use of the ILEC regulatory regimen as the predicate for BOC entry into out-of-region services may, in fact, account for the tendency of the interexchange carriers to advocate the use of the same regulatory paradigm for both ILECs and BOCs despite the vast differences between BOC regions and ILEC exchange territories.

⁶ Comments of Frontier Corporation at page 7; Comments of SNET at page 1. ALLTEL agrees with Frontier's suggestion that structural separation requirements should be removed for all carriers with fewer than two-percent (2%) of the nation's access lines.

competition.⁶ The Commission should separately consider the need for a separate subsidiary requirement based upon the different factual cases which the ILEC and the BOCs present.

The BOCs argue persuasively that they are effectively without the power to leverage their in-region local exchange monopoly into the out-of-region interexchange market. Further, the BOCs note that the 1996 Act does not require out-of-region services to be provided through a separate subsidiary subject to the Commission's safeguards in order to receive treatment as a non-dominant carrier. Clearly, if BOC out-of-region service is not a competitive threat to the local exchange market, the provision of out-of-region services by ILECs must be even less so. As noted by one party, it makes little sense to subject smaller ILECs, which generally lack both the critical mass and geographic ubiquity of the BOCs, to structural separation requirements (whether for in-region or out-of-region interexchange service) that in the near future may not even apply to the provision of in-region interstate, interexchange service by the BOCs.⁷

ALLTEL joins those parties arguing that the current status of the interexchange market provides ample support for the removal of ILEC separate subsidiary requirements in both the in-region and out-of-region interexchange markets.⁸ ALLTEL also strongly endorses the

⁶ Comments of Frontier Corporation at page 7; Comments of SNET at page 1. ALLTEL agrees with Frontier's suggestion that structural separation requirements should be removed for all carriers with fewer than two-percent (2%) of the nation's access lines.

⁷ Comments of Frontier Corporation at page 7.

⁸ Comments of GTE at pages 7-13; Comments of SNET at pages 17-18; Comments of Frontier Corporation at pages 6-8.

suggestion that the Commission immediately consider removing the separate subsidiary requirements for ILEC provision of in-region interexchange service.⁹ ILECs, like ALLTEL, do not control huge geographic or urban markets. ALLTEL provides interexchange facilities through resale due to the fact that it has no major point-to-point markets and no interexchange facilities of its own. In view of the 1996 Act's removal of entry barriers and the existence of both the accounting safeguards and the well established equal access regimen cited by certain parties,¹⁰ ALLTEL has little power to leverage its LEC operations into the adjacent interexchange market, misallocate costs or discriminate among IXCs on access matters.

Given the realities of today's competitive marketplace and the emergence of "one stop shopping" for telecommunications services¹¹ ILECs can little afford the cost associated with outmoded structural separations designed to foster competition in a market which today is in little need of regulatory largesse. The Commission must rebalance the purported benefits of these regulations with the clearly burdensome costs of compliance¹² and expeditiously remove

⁹ Comments of SNET at page 17.

¹⁰ See generally, the Comments of GTE, SNET and Frontier Corporation

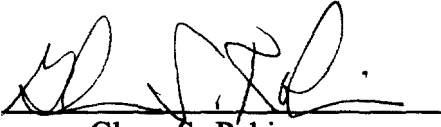
¹¹ Comments of SNET at pages 1-3.

¹² As noted by SNET, the Commission may be under the affirmative obligation under the 1996 Act to remove the separations requirement on ILECs as a competitive burden. Comments of SNET at 12.

the separate subsidiary requirement for ILEC provision of both out-of-region and in-region interexchange service.

Respectfully submitted,

ALLTEL Corporate Services, Inc.


By: 
Glenn S. Rabin
Federal Regulatory Counsel

ALLTEL Corporate Services, Inc.
655 15th Street, N.W.
Suite 200
Washington, D.C. 20005
(202) 783-3976

Dated: May 3, 1996

CERTIFICATE OF SERVICE

I, Sondra T. Spottswood, do hereby certify that on this 3rd day of April, 1996, I have caused a copy of the foregoing **REPLY COMMENTS** to be served via first-class United States mail, postage prepaid, upon the persons listed on the attached service list.


Sondra T. Spottswood

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*Janice Myles
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Federal Communications Commission
1919 M Street, N.W., Room 544
Washington, DC 20554
(Including 3.5 Diskette Copy w/Cover Ltr.)

*International Transcription Services, Inc.
2100 M Street N.W.
Suite 140
Washington, DC 20037

C. Douglas Jarrett/Susan M. Hafeli/Brian Turner Ashby
Keller and Heckman
American Petroleum Institute
1001 G Street, N.W.
Suite 500 West
Washington, DC 20001

Margot Smiley Humphrey, Esquire
Koteen & Naftalin, LLP
NRTA
1150 Connecticut Avenue, N.W.,
Suite 1000
Washington, DC 20036

David Cosson
L. Marie Guillory
NTCA
2626 Pennsylvania Avenue., N.W.
Washington, DC 20037

James E. Ellis, Esquire
Robert M. Lynch, Esquire
David F. Brown, Esquire
SBC Communications, Inc.
175 E. Houston, Room 1254
San Antonio, TX 78205

Danny E. Adams, Esquire
Steven A. Augustino, Esquire
Kelley, Drye & Warren
The Competitive Telecommunications Association
1200 Nineteenth Street, N.W., Suite 500
Washington, DC 20036

Michael S. Fox, Director, Regulatory Affairs
John Staurulakis, Inc.
6315 Seabrook Road
Seabrook, Maryland 20706

Chris Barron, Esquire
TCA, Inc.
3617 Betty Drive, Suite I
Colorado Springs, CO 80917

Leon M. Kestenbaum, Esquire
Jay C. Keithley, Esquire
Kent Y. Nakamura, Esquire
Sprint Corporation
1850 M Street, N.W., 11th Floor
Washington, DC 20036

Lisa M. Zaina
Stuart Polikoff
OPASTCO
21 Dupont Circle, NW
Suite 700
Washington, DC 20036

Margot Smiley Humphrey, Esquire
TDS Telecommunications Corporation
Koteen & Naftalin, L.L.P.
Suite 1000
Washington, DC 20036

Gary L. Phillips, Esquire
Ameritech
1401 H Street, N.W., Suite 1020
Washington, DC 20005

Genevieve Morelli
Vice President and General Counsel
The Competitive Telecommunications Association
1140 Connecticut Avenue, N.W.
Suite 220
Washington, DC 20036

Marlin D. Ard, Esquire
John W. Bogy, Esquire
Pacific Telesis Group, Inc.
140 new Montgomery Street
Room 1530A
San Francisco, California 94105

John F. Beasley, Esquire
William B. Barfield, Esquire
Jim O. Llewellyn, Esquire
BellSouth Corporation
1155 Peachtree Street, NE, Suite 1800
Atlanta, Georgia 30309-2641

Robert B. McKenna, Esquire
U S West, Inc.
1020 18th Street, N.W.
Suite 700
Washington, DC 20036

Charles C. Hunter, Esquire
Telecommunications Resellers Association
Hunter & Mow, P.C.
1620 I Street, N.W.
Suite 701
Washington, DC 20006

Bruce D. Jacobs, Esquire
Glenn S. Richards, Esquire
Fisher, Wayland, Cooper, Leader & Zaragoza, L.L.P.
AMSC Subsidiary Corporation
2001 Pennsylvania Avenue, N.W.
Suite 400
Washington, DC 20006

Joseph DiBella, Esquire
Donald C. Rowe, Esquire
The NYNEX Telephone Companies
1300 I Street, N.W., Suite 400 West
Washington, DC 20005

Catherine R. Sloan, Esquire
Richard L. Fruchterman, Esquire
Richard S. Whitt, Esquire
Worldcom, Inc.
d/b/a LDDS WorldCom
1120 Connecticut Avenue, N.W., Suite 400
Washington, DC 20036

Margaret E. Garber, Esquire
Pacific Telesis Group, Inc.
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Charles P. Featherstun, Esquire
David G. Richards, Esquire
BellSouth Corporation
1133 21st Street, NW
Washington, DC 20036

Raymond G. Bender, Jr., Esquire
J.G. Harrington, Esquire
VanGuard Cellular Systems, Inc.
Dow, Lohnes & Albertson
1200 New Hampshire Avenue, N.W.
Suite 800
Washington, DC 20037

Charles H. Helein, General Counsell
America's Carriers Telecommunication Association
Helen & Associates, P.C.
8180 Greensboro Drive
Suite 700
McLean, Virginia 22102

Lon C. Levin, Esquire
Vice President and Regulatory Counsel
AMSC Subsidiary Corporation
10802 Park Ridge Boulevard
Reston, Virginia 22091

Danny E. Adams, Esquire
Edward A. Yorkgitis, Jr., Esquire
Cable & Wireless, Inc.
Kelley, Drye & Warren
1200 19th Street, N.W.
Washington, DC 20036

Raul R. Rodriguez, Esquire
Stephen D. Baruch, Esquire
David S. Keir, Esquire
Columbia Long Distance Service, Inc.
Leventhal, Senter & Lerman
2000 K Street, N.W., Suite 600
Washington, DC 20006

Margaret L. Tobey, P.C.
Phuong N. Pham, Esquire
IT&E Overseas, Inc.
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1333 New Hampshire Avenue, NW, Suite 400
Washington, DC 20036

Veronica M. Ahern, Esquire
The Guam Telephone Authority
Nixon, Hargrave, Devans & Doyle, LLP
One Thomas Circle, N.W.
Suite 700
Washington, DC 20005

Michael J. Ettner, Esquire
Senior Assistant General Counsel
Personal Property Division
General Services Administration
18th & F Streets, N.W., Room 4002
Washington, DC 20405

Andrew D. Lipman, Esquire
Erin M. Reilly, Esquire
MFS Communications
Swidler & Berlin, Chartered
3000 K Street, N.W., Suite 300
Washington, DC 20007

Albert H. Kramer, Esquire
Robert F. Aldrich, Esquire
American Public Communications Council
Dickstein, Shapiro & Morin, L.L.P.
2101 L Street, N.W.
Washington, DC 20037-1526

Philip L. Verveer, Esquire
Brian A. Finley, Esquire
Guam Public Utilities Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20036

William H. Smith, Jr., Chief
Bureau of Rate and Safety Evaluation
Iowa Utilities Board
Lucas State Office Building
Des Moines, Iowa 50319

Donna N. Lampert, Esquire
Fernando R. Laguarda, Esquire
JAMA Corporation
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, N.W., Suite 900
Washington, DC 20004

Kathy L. Shobert, Director, Federal Affairs
General Communication, Inc.
901 15th Street, N.W.,
Suite 900
Washington, DC 20005

Susan Drombetta, Manager - Rates and Tariffs
Scherers Communication Group, Inc.
575 Scherers Court
Worthington, OH 43085

Paul Rodgers, General Counsel
Charles D. Gray, Assistant General Counsel
James Bradford Ramsey, Deputy Assistant
General Counsel
National Association of Regulatory Utility Commissioners
1201 Constitution Avenue, Suite 1102
Washington, DC 20044

Sharon Nelson, Chairman
Richard Hemstad, Commissioner
William R. Gillis, Commissioner
Washington Utilities and Transportation Commission

Ann E. Henkener
Assistant Attorney General
The Public Utilities Commission of Ohio
Public Utilities Section
180 East Broad Street
Columbus, Ohio 43215-3793

Mary E. Newmeyer
Alabama Public Service Commission
P.O. Box 991
Montgomery, Alabama 36101

Philip McClelland, Assistant Consumer Advocate
Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Robert S. Tongren, Consumer's Counsel
The Office of the Ohio Consumer's Counsel
77 South High Street, 15th Floor
Columbus, Ohio 43266-0550

Cynthia Miller, Senior Attorney
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Eric Witte, Esquire
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Herbert E. Marks, Esquire
Marc Berejka, Esquire
The State of Hawaii
Squire, Sanders & Dempsey
1201 Pennsylvania Avenue, N.W.
P.O. Box 407
Washington, DC 20044

Robert M. Halperin, Esquire
The State of Alaska
Crowell & Moring
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004

Thomas K. Crowe, Esquire
Kathleen L. Greenan, Esquire
Counsel for the Commonwealth of the Northern Marian Islands
2300 M Street, N.W.
Suite 800
Washington, DC 20037

Michael J. Shortley, III, Esquire
Frontier Corporation
180 South Clinton Avenue
Rochester, New York 14646

Gail L. Polivy, Esquire
GTE Service Corporation
1850 M Street, N.W.
Suite 1200
Washington, DC 20036

Rodney L. Joyce, Esquire
The Southern New England Telephone Company
Ginsburg, Feldman and Bress
1250 Connecticut Avenue, N.W.
Washington, D.C. 20036

Mark C. Rosenblum, Esquire
Leonard J. Cali, Esquire
Richard H. Rubin, Esquire
AT&T Corp.
Room 3252I3
295 North Maple Avenue
Basking Ridge, New Jersey 07920

Donald J. Elardo, Esquire
Frank W. Krogh, Esquire
Mary J. Sisak, Esquire
MCI Telecommunications Corporation
1801 Pennsylvania Avenue, N.W.
Washington, DC 20006

Mary McDermott, Esquire
Linda Kent, Esquire
Charles D. Cosson, Esquire
United States Telephone Association
1401 H Street, N.W., Suite 600
Washington, DC 20005